

**Township of North Star  
Gratiot County, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2008**

Township of North Star  
Gratiot County, Michigan  
March 31, 2008

Mr. Howes Smith	Supervisor
Ms. Heidi Drowley	Clerk
Ms. Cheryl Richmond	Treasurer
Mr. Robert Brandal	Trustee
Mr. John Hardman	Trustee

Township of North Star

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INDEPENDENT AUDITOR'S REPORT

To the Members of Township Board  
Township of North Star  
Ithaca, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Township of North Star, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Township of North Star's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Township of North Star, Michigan as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2008 on our consideration of the Township of North Star's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information, as identified in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be part of the basic financial statements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

August 1, 2008

## **BASIC FINANCIAL STATEMENTS**

Township of North Star

STATEMENT OF NET ASSETS

March 31, 2008

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 74,700	\$ 7,362	\$ 82,062
Due from other governmental units	4,602	-	4,602
Receivables	16	22,710	22,726
Prepays	3,031	-	3,031
Total current assets	82,349	30,072	112,421
Noncurrent assets			
Restricted cash	-	7,815	7,815
Capital assets not being depreciated	29,383	-	29,383
Capital assets, net of accumulated depreciation	136,329	552,440	688,769
Total noncurrent assets	165,712	560,255	725,967
<b>TOTAL ASSETS</b>	248,061	590,327	838,388
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	11,368	200	11,568
Accrued interest payable	165	-	165
Current portion of long-term debt	8,820	6,000	14,820
Total current liabilities	20,353	6,200	26,553
Noncurrent liabilities			
Noncurrent portion of long-term debt	90,544	534,000	624,544
<b>TOTAL LIABILITIES</b>	110,897	540,200	651,097
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	66,348	12,440	78,788
Restricted for debt service	-	5,231	5,231
Unrestricted	70,816	32,456	103,272
<b>TOTAL NET ASSETS</b>	\$ 137,164	\$ 50,127	\$ 187,291

See accompanying notes to financial statements.

Township of North Star  
STATEMENT OF ACTIVITIES  
Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 55,873	\$ 8,902	\$ -	\$ (46,971)	\$ -	\$ (46,971)
Public safety	42,266	-	-	(42,266)	-	(42,266)
Public works	49,748	-	3,781	(45,967)	-	(45,967)
Interest on long-term debt	5,945	-	-	(5,945)	-	(5,945)
Total governmental activities	153,832	8,902	3,781	(141,149)	-0-	(141,149)
Business-type activities:						
Sewer	50,445	36,689	-	-	(13,756)	(13,756)
	<u>\$ 204,277</u>	<u>\$ 45,591</u>	<u>\$ 3,781</u>	(141,149)	(13,756)	(154,905)
General revenues:						
Property taxes				69,375	-	69,375
State shared revenue				68,525	-	68,525
Investment earnings				151	68	219
Total general revenues				138,051	68	138,119
Change in net assets				(3,098)	(13,688)	(16,786)
Net assets, beginning of the year				140,262	63,815	204,077
Net assets, end of the year				<u>\$ 137,164</u>	<u>\$ 50,127</u>	<u>\$ 187,291</u>

See accompanying notes to financial statements.



Township of North Star  
GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2008

	General	Fire & Rescue	Total Governmental Funds
ASSETS			
Cash	\$ 62,195	\$ 12,505	\$ 74,700
Due from other governmental units	2,834	1,768	4,602
Taxes receivable	10	6	16
Prepays	720	2,311	3,031
	<u>720</u>	<u>2,311</u>	<u>3,031</u>
TOTAL ASSETS	<u>\$ 65,759</u>	<u>\$ 16,590</u>	<u>\$ 82,349</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,348	\$ 10,020	\$ 11,368
FUND BALANCES			
Reserved for			
Prepays	720	2,311	3,031
Streets	3,781	-	3,781
Unreserved			
Undesignated, reported in			
General fund	59,910	-	59,910
Special revenue fund	-	4,259	4,259
	<u>64,411</u>	<u>6,570</u>	<u>70,981</u>
TOTAL FUND BALANCES	<u>64,411</u>	<u>6,570</u>	<u>70,981</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 65,759</u>	<u>\$ 16,590</u>	<u>\$ 82,349</u>

See accompanying notes to financial statements.

Township of North Star

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

March 31, 2008

**Total fund balance - governmental funds** \$ 70,981

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 197,965	
Accumulated depreciation is	<u>(32,253)</u>	
Capital assets, net		165,712

Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the Governmental Funds Balance Sheet.  
Long-term liabilities at year-end consist of:

Installment purchase agreement	99,364	
Accrued interest payable	<u>165</u>	
		<u>(99,529)</u>

**Net assets of governmental activities** \$ 137,164

See accompanying notes to financial statements.

Township of North Star

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

Year Ended March 31, 2008

	General	Fire & Rescue	Total Governmental Funds
REVENUES			
Taxes	\$ 43,485	\$ 25,890	\$ 69,375
Intergovernmental	72,306	-	72,306
Charges for services	6,892	-	6,892
Interest and rents	2,151	10	2,161
TOTAL REVENUES	124,834	25,900	150,734
EXPENDITURES			
Current			
General government	48,751	-	48,751
Public safety	-	42,266	42,266
Public works	49,748	-	49,748
Debt service	14,318	-	14,318
TOTAL EXPENDITURES	112,817	42,266	155,083
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12,017	(16,366)	(4,349)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	15,520	15,520
Transfers out	(15,520)	-	(15,520)
TOTAL OTHER FINANCING SOURCES (USES)	(15,520)	15,520	-0-
NET CHANGE IN FUND BALANCES	(3,503)	(846)	(4,349)
Fund balances, beginning of year	67,914	7,416	75,330
Fund balances, end of year	\$ 64,411	\$ 6,570	\$ 70,981

See accompanying notes to financial statements.

Township of North Star

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

**Net change in fund balances - total governmental funds** **\$ (4,349)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (7,122)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Payment of installment purchase agreement	8,359		
Decrease in accrued interest payable	14		
	8,373		8,373

**Change in net assets of governmental activities** **\$ (3,098)**

See accompanying notes to financial statements.

Township of North Star  
Proprietary Fund  
STATEMENT OF NET ASSETS  
March 31, 2008

	Sewer Fund
ASSETS	
Current assets	
Cash	\$ 7,362
Accounts receivable	<u>22,710</u>
Total current assets	30,072
Noncurrent assets	
Restricted cash	7,815
Capital assets, net of accumulated depreciation	<u>552,440</u>
Total noncurrent assets	<u>560,255</u>
TOTAL ASSETS	590,327
LIABILITIES	
Current liabilities	
Accounts payable	200
Current portion of long-term debt	<u>6,000</u>
Total current liabilities	6,200
Noncurrent liabilities	
Bonds payable	<u>534,000</u>
TOTAL LIABILITIES	<u>540,200</u>
NET ASSETS	
Invested in capital assets, net of related debt	12,440
Restricted for debt service	5,231
Unrestricted	<u>32,456</u>
TOTAL NET ASSETS	<u>\$ 50,127</u>

See accompanying notes to financial statements.

Township of North Star

Proprietary Fund

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended March 31, 2008

	Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 36,689
OPERATING EXPENSES	
Administrative charge	10,636
Supplies	123
Utilities	1,313
Repairs and maintenance	988
Other	1,306
Depreciation	12,874
TOTAL OPERATING EXPENSES	<u>27,240</u>
OPERATING INCOME	9,449
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	68
Interest expense	<u>(23,205)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(23,137)</u>
CHANGE IN NET ASSETS	(13,688)
Net assets, beginning of year	<u>63,815</u>
Net assets, end of year	<u><u>\$ 50,127</u></u>

See accompanying notes to financial statements.

Township of North Star  
Proprietary Fund  
STATEMENT OF CASH FLOWS  
Year Ended March 31, 2008

	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 36,343
Cash paid to suppliers	<u>(14,468)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,875
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest expense	(23,205)
Payments of borrowing	<u>(6,000)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(29,205)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest revenue	<u>68</u>
NET (DECREASE) IN CASH DURING YEAR	(7,262)
Cash, beginning of year	<u>22,439</u>
Cash, end of year	<u><u>\$ 15,177</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 9,449
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	12,874
(Increase) in receivables	(346)
(Decrease) in accounts payable	<u>(102)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 21,875</u></u>

See accompanying notes to financial statements.

Township of North Star

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of North Star is located in Gratiot County, Michigan and has a population of approximately 1,000. The Township of North Star operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services to its residents in many areas including general government, sewer services, and property tax collections.

The financial statements of the Township have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to Township governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township's more significant accounting policies are described below.

**1. Reporting Entity**

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the Township of North Star. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of North Star contain all the funds controlled by the Township Board.

**2. Basis of Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities (the government-wide statements) present information for the Township as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). Interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

**FUND FINANCIAL STATEMENTS**

The fund financial statements present the Township's individual major funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



Township of North Star  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

2. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Fire & Rescue Fund is used to account for the financial resources used to provide fire protection and rescue services to the Township.
- c. The Sewer Fund accounts for resources generated by providing sewer services to residents of the Township; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

3. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. The length of time used to define "available" for purposes of revenue recognition is 60 days. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Township of North Star  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Accounting - continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets were prepared on a basis consistent with the modified accrual basis used to reflect actual results. The Township employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to April 1, the Clerk submits the proposed operating budgets for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to April 1, the budget is legally adopted with passage by Board vote.
- d. The budget is legally adopted at the total expenditure level (i.e. fund) for the General Fund and the Special Revenue Fund; however, they are maintained at the account level for control purposes.
- e. After the budget is adopted all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of a fund or activity must be approved by the Township Board.
- f. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or as amended by the Township Board during the year. Individual amendments were appropriately approved by the Township Board in accordance with required procedures.

6. Cash

Cash consists of various checking accounts.

7. Property Tax

The Township of North Star bills and collects its own property taxes. The Township's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the Township of North Star on December 1 and are payable without penalty through September 15. All real property taxes not paid to the Township by April 15 are turned over to the Gratiot County Treasurer for collection. The Gratiot County Treasurer remits payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Township property tax revenues are recognized as revenues in the fiscal year levied.

Township of North Star  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

7. Property Tax - continued

The Township is permitted to levy taxes up to 1.08 mills (\$1.08 per \$1,000 of assessed valuation) for general governmental services, and up to an additional 1 mill (\$1.00 per \$1,000 of assessed valuation) for fire and rescue services and 0.75 mills (\$0.75 per \$1,000 of assessed valuation) for debt service. For the year ended March 31, 2008, the Township levied 0.8309 mills for general governmental services, 0.9860 mills for fire and rescue services, and 0.75 mills for debt service. The total taxable value for the 2007 levy for property within the Township was \$26,266,932.

8. Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

9. Capital Assets

Capital assets include land, buildings, equipment and machinery, and the sewer system and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental and business-type activities columns. Capital assets are those with an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Sewer system and improvements	50 years
Equipment and machinery	5 years
Buildings	30 years

10. Long-term Liabilities

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

11. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**NOTE B: CASH**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers' acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, the carrying amounts of the Township's deposits were \$89,877 and the bank balance was \$92,230. The Township's deposits were fully insured by the FDIC.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2008, the Township did not have any investments that would be subject to rating.

Township of North Star  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**NOTE B: CASH - CONTINUED**

Interest rate risk

The Township has not adopted a policy that addresses interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of credit risk

The Township has not adopted a policy that addresses concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer.

Custodial credit risk

The Township has not adopted a policy that addresses custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer.

**NOTE C: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, and business type funds have been eliminated.

Transfers to Fire & Rescue Fund from:	
General Fund	\$ <u>15,520</u>

**NOTE D: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2008 was as follows:

	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2008</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 29,383	\$ -	\$ -	\$ 29,383
Capital assets being depreciated				
Buildings	155,490	-	-	155,490
Equipment	<u>13,092</u>	<u>-</u>	<u>-</u>	<u>13,092</u>
Subtotal	168,582	-0-	-0-	168,582
Less accumulated depreciation for:				
Buildings	( 22,028 )	( 5,183 )	-	( 27,211 )
Equipment	<u>( 3,103 )</u>	<u>( 1,939 )</u>	<u>-</u>	<u>( 5,042 )</u>
Subtotal	<u>( 25,131 )</u>	<u>( 7,122 )</u>	<u>-0-</u>	<u>( 32,253 )</u>
Net capital assets being depreciated	<u>143,451</u>	<u>( 7,122 )</u>	<u>-0-</u>	<u>136,329</u>
Total net capital assets	<u>\$ 172,834</u>	<u>\$( 7,122 )</u>	<u>\$ -0-</u>	<u>\$ 165,712</u>

Township of North Star

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**NOTE D: CAPITAL ASSETS - CONTINUED**

Depreciation expense in the amount of \$7,122 was charged to the general government function on the Statement of Activities.

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008
<b>Business-type activities</b>				
Capital assets being depreciated				
Sewer system	\$ 643,703	\$ -	\$ -	\$ 643,703
Less accumulated depreciation for:				
Sewer system	( 78,389 )	( 12,874 )	-	( 91,263 )
Total net capital assets	<u>\$ 565,314</u>	<u>\$ ( 12,874 )</u>	<u>\$ -0-</u>	<u>\$ 552,440</u>

**NOTE E: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended March 31, 2008:

	Balance April 1, 2007	Additions	Deletions	Balance Mar. 31, 2008	Amounts Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
Installment purchase agreement	\$ 107,723	\$ -	\$ 8,359	\$ 99,364	\$ 8,820
Business-type activities					
Sewer Fund					
2006 Refunding Bonds, Series A	440,000	-	5,000	435,000	5,000
2006 Refunding Bonds, Series B	<u>106,000</u>	<u>-</u>	<u>1,000</u>	<u>105,000</u>	<u>1,000</u>
Total	<u>\$ 653,723</u>	<u>\$ -0-</u>	<u>\$ 14,359</u>	<u>\$ 639,364</u>	<u>\$ 14,820</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

\$155,490 Installment Purchase Agreement dated January 21, 2002, due in annual installments ranging from \$8,359 to \$13,557 through March 20, 2017, with interest of 5.52 percent, payable annually.

\$ 99,364

On January 30, 2006, the Township authorized the issuance of \$444,000 2006 General Obligation Limited Tax Bonds, Series A, and \$107,000 2006 General Obligation Limited Tax Bonds, Series B, totaling \$551,000 for the purpose of performing maintenance on the Townships sewer system and refunding existing debt. As of March 31, 2008, the Township had drawn down the entire payment of \$551,000. Payments are based on the unpaid principal times the interest rate. Amortization schedules are not furnished.

\$ 540,000

Township of North Star

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**NOTE E: LONG-TERM DEBT - CONTINUED**

Advance Refunding - Prior

On January 30, 2006 the Township defeased the 1996 Gratiot County Sewer Bonds, which were due and payable May 1, 2006 through May 1, 2022. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The Township issued 2006 General Obligation Limited Tax Bonds, Series A, and 2006 General Obligation Limited Tax Bonds, Series B, in the amount of \$551,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Township's financial statements. At March 31, 2008, bonds due and payable May 1, 2008 through May 1, 2022 for the 1996 Gratiot County Sewer Bonds in the amount of \$265,000 are considered defeased.

The annual requirements to pay the debt principal and interest outstanding for the installment purchase agreement are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 8,820	\$ 5,485	\$ 14,305
2010	9,307	4,998	14,305
2011	9,821	4,484	14,305
2012	10,363	3,942	14,305
2013	10,935	3,370	14,305
2014-2018	<u>50,118</u>	<u>7,102</u>	<u>57,220</u>
	<u>\$ 99,364</u>	<u>\$ 29,381</u>	<u>\$ 128,745</u>

**NOTE F: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the required supplementary information to the financial statements, the Township's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Township have been adopted at the total expenditure level for the General Fund and the Special Revenue Fund.

During the year ended March 31, 2008, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund	\$ 111,476	\$ 128,337	\$ 16,861

Township of North Star

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**NOTE G: FUND BALANCE RESERVES**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use.

The following are the fund balance reserves as of March 31, 2008:

General Fund	
Reserved for	
Prepays	\$ 720
Streets	<u>3,781</u>
	<u>\$ 4,501</u>
Fire & Rescue Fund	
Reserved for prepaids	<u>\$ 2,311</u>

**NOTE H: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the Proprietary Fund and Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source (bond ordinance, etc.) which precludes their use for unrestricted purposes. The following represents the net asset restriction as of March 31, 2008:

Business-type activities	
Restricted for debt service	<u>\$ 5,231</u>

**NOTE I: RISK MANAGEMENT**

The Township participates in a pool, the Michigan Township Participating Plan, with other municipalities for auto, property, wrongful acts, law enforcement, boiler, crime, bond, and liability losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.



## **REQUIRED SUPPLEMENTARY INFORMATION**

Township of North Star

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 20,819	\$ 20,819	\$ 43,485	\$ 22,666
Intergovernmental	71,760	71,760	72,306	546
Charges for services	6,559	6,559	6,892	333
Interest and rents	1,600	1,600	2,151	551
TOTAL REVENUES	100,738	100,738	124,834	24,096
EXPENDITURES				
General government				
Legislative	7,510	7,510	6,963	547
Supervisor	5,600	5,600	5,582	18
Clerk	7,050	7,050	8,593	(1,543)
Board of review	650	650	416	234
Treasurer	7,850	7,850	7,569	281
Assessor	7,050	7,050	6,777	273
Hall and grounds	9,100	9,100	7,299	1,801
Cemetery	500	500	860	(360)
Other	4,930	4,930	4,692	238
Total general government	50,240	50,240	48,751	1,489
Public works				
Highways and streets	35,792	41,288	43,771	(2,483)
Drains	3,000	3,000	4,143	(1,143)
Street lights	1,800	1,800	1,834	(34)
Total public works	40,592	46,088	49,748	(3,660)
Debt service				
Principal	-	-	8,359	(8,359)
Interest	-	-	5,959	(5,959)
Total debt service	-0-	-0-	14,318	(14,318)
TOTAL EXPENDITURES	90,832	96,328	112,817	(16,489)
EXCESS OF REVENUES OVER EXPENDITURES	9,906	4,410	12,017	7,607

Township of North Star

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
OTHER FINANCING USES				
Transfers out	<u>\$ (15,148)</u>	<u>\$ (15,148)</u>	<u>\$ (15,520)</u>	<u>\$ (372)</u>
NET CHANGE IN FUND BALANCE	(5,242)	(10,738)	(3,503)	7,235
Fund balance, beginning of year	<u>67,035</u>	<u>67,035</u>	<u>67,914</u>	<u>(879)</u>
Fund balance, end of year	<u><u>\$ 61,793</u></u>	<u><u>\$ 56,297</u></u>	<u><u>\$ 64,411</u></u>	<u><u>\$ 6,356</u></u>

Township of North Star

Fire & Rescue Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 24,768	\$ 24,768	\$ 25,890	\$ 1,122
Interest	-	-	10	10
TOTAL REVENUES	24,768	24,768	25,900	1,132
EXPENDITURES				
Public safety	39,916	39,916	42,266	(2,350)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(15,148)	(15,148)	(16,366)	(1,218)
OTHER FINANCING SOURCES				
Transfers in	15,148	15,148	15,520	372
NET CHANGE IN FUND BALANCE	-0-	-0-	(846)	(846)
Fund balance, beginning of year	7,416	7,416	7,416	-0-
Fund balance, end of year	<u>\$ 7,416</u>	<u>\$ 7,416</u>	<u>\$ 6,570</u>	<u>\$ (846)</u>

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Township of North Star  
Ithaca, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Township of North Star as of and for the year ended March 31, 2008, which collectively comprise the Township of North Star basic financial statements and have issued our report thereon dated August 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of North Star's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

2008-1 PREPARATION OF FINANCIAL STATEMENTS

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with generally accepted accounting principles (GAAP) is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the government's internal controls.

## 2008-1 PREPARATION OF FINANCIAL STATEMENTS - CONTINUED

Criteria: All Michigan governments are required to prepare financial statements in accordance with GAAP. This is a responsibility of the government's management. The preparation of financial statement in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Recommendation: Statement on Auditing Standards No. 112 titled "*Communicating Internal Control Related Matters Identified in an Audit*", requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America. We are communicating these circumstances as required by professional standards; however, we do not see a need for any changes in the situation at this time.

Corrective Action Response: The Township will continue to prepare our financial statements to the best of our ability.

## 2008-2 WRITTEN PROCEDURES AND POLICIES

Condition: During the course of our audit, we noted that the Board has not formally adopted written procedures and policies for the following areas: a fraud risk management policy and a conflict of interest policy.

Criteria: Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations.

Cause: The Township has not evaluated and prepared necessary policies and procedures.

Effect: Due to the Township not developing a fraud risk assessment and monitoring program and a conflict of interest policy, it is unable to assess its vulnerabilities to fraudulent activity and whether any of those exposures could result in material misstatement of financial statements. The Township also has not documented its policy on potential conflicts of interest.

Recommendation: We recommend the Township develop and adopt a fraud risk management policy which would include policies and procedures on ways for management to prevent, detect and deter fraudulent activities. We also recommend that the Township adopt and implement a conflict of interest policy.

Corrective Action Response: The Township will work on developing and adopting a fraud risk management policy and a conflict of interest policy.

## 2008-3 MANAGEMENT DISCUSSION AND ANALYSIS

Condition: The Township has not presented a management's discussion and analysis.

Criteria: The Governmental Accounting Standards Board (GASB) has determined that it is necessary for governmental entities to supplement their basic financial statements with a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year.

Cause: It has historically been common for many small governments to omit a MD&A. As a result, management's understanding and view of the financial statements are not readily available for a reader's consumption.

Effect: Because the Township has not presented a management's discussion and analysis, an explanatory paragraph has been added to the Independent Auditor's Report on the Township's financial statements. We are communicating these circumstances as required by professional standards.

### 2008-3 MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

Recommendation: We recommend the Township Board consider the benefits of preparing a MD&A as well as the related costs to do so.

Corrective Action Response: The Township will consider preparing a MD&A depending on the time and cost involved in doing so.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the deficiency described below to be a material weakness in internal control over financial reporting.

### 2008-4 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries for the proper recognition of various aspects throughout the general ledger were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. These entries included audit adjustments from the prior audit that were never posted to the Township's general ledger, and entries to adjust the cash basis records to modified accrual basis in accordance with generally accepted accounting principles.

Criteria: Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Effect: Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the Township's internal controls.

Recommendation: We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: Most Township officials in small government are not educated in the U.S. generally accepted accounting principles, and do not have funds to hire a full time accountant to establish, maintain, and monitor internal controls. The Township will continue to post revenues and expenditures to the best of our ability. The Township will post material journal entries found from the current and prior audits correctly to the best of our ability.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### 2008-5 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the Township's compliance with the budgeting act, we noted that total expenditures exceeded the amount appropriated for total expenditures in the General Fund.

## 2008-5 UNFAVORABLE BUDGET VARIANCES - CONTINUED

Criteria: The Uniform Budgeting and Accounting Act requires that the Township adopt a budget for the General Fund and all Special Revenue Funds and prohibits budgeting for a deficit fund balance. It also requires the Township to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Cause: The Township's budget was not amended as it became apparent that expenditures would exceed the amounts appropriated for various activities of the General Fund and Special Revenue Funds.

Effect: The Township adopted the budget for the General Fund at the total fund level. Having unfavorable budget variances as described above, the Township is not in compliance with Public Act 621 of 1978, as amended.

Recommendation: We recommend the Township monitor expenditures against adopted budgets in all applicable funds and make appropriated budget adjustments as needed.

Corrective Action Response: The Township will monitor expenditures more closely against adopted budgets in all applicable funds and make appropriate budget adjustments as needed.

## 2008-6 FUND ACCOUNTING

Condition: During our review of the Township's computerized general ledger, we noted that the General Fund, Fire & Rescue Fund, Sewer Fund, and Tax Collection Fund are all maintained as one fund in the QuickBooks general ledger.

Criteria: A fund is an independent accounting entity with a self-balancing set of accounts, created for the purpose of carrying out a specific activity. It has accounts for assets, liabilities, equity, revenues and expenditures. The General Fund and Fire & Rescue funds are governmental funds and should be accounted for on a modified accrual basis of accounting. The Sewer Fund is an enterprise fund and should be accounted for on the accrual basis of accounting. The Tax Collection Fund is a fiduciary fund and should be accounted for on the accrual basis of accounting.

Cause: The QuickBooks software does not have the capability to maintain separate funds within one company file. It would be necessary to have a separate company file for each fund.

Effect: The activity of the funds is combined. It is not readily determinable which activity belongs to a specific fund. There is no accountability for one specific fund.

Recommendation: We recommend that the Township create a new company file for each fund. This will allow for accountability of the activity of each fund.

Corrective Action Response: The Township will look into the benefits of creating a new company file for each fund in QuickBooks.

The Township's responses to the findings identified in our audit are described above. We did not audit the Township's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Trustees of the Township of North Star, others within the Township, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

August 1, 2008